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TAGS: [ENRG](#) [EPET](#) [ECON](#) [ECTRD](#) [IR](#) [BA](#)  
SUBJECT: OIL MINISTER COMMENTS ON IRAN NATURAL GAS MOU

REF: MANAMA 922

Classified By: Ambassador Adam Ereli for reasons 1.4 (a), (b), and (d).

¶1. (C) Summary. Oil Minister Mirza told the Ambassador November 26 that although Bahrain had signed an MOU with Iran to ensure that negotiations remained on track, Bahrain continued to hope that a Qatari or Saudi alternative would emerge. However, Bahrain needed to continue moving forward to ensure it would be able to meet the gas crunch it expects to face in five-years-time. Mirza acknowledged U.S. concerns over any gas deal with Iran, but observed that it also served U.S. interests for Bahrain to avoid the popular instability that an energy crisis would bring. End Summary.

¶2. (C) Minister of Oil and Gas Dr. Abdul Hussein Ali Mirza November 26 confirmed to the Ambassador that Bahrain had signed an MOU with Iran during the November 17 visit of Iranian President Mahmoud Ahmedinejad. The MOU stipulated that the two countries would work to conclude an agreement by the end of 2008 for Iran to provide gas to Bahrain. Mirza said this MOU was a general document, and that it did not address certain basic questions; e.g., would Iran sell gas directly to Bahrain, or to an international company that would then provide the gas to Bahrain? How would the project be financed?

¶3. (C) Mirza told the Ambassador he had raised his concern over well-known Iranian foot-dragging with newly-appointed Iranian counterpart Minister Gholam Hossein Nozari. "He said it would be different now. Iran wants to move quickly."

¶4. (C) Mirza reiterated that Bahrain would prefer to buy gas from Qatar or Saudi Arabia but that it could not stand still while hoping access to these sources would materialize. Bahrain's industrial expansion, land reclamation projects, and development of new municipalities all required power. However, Bahrain still hoped that its publicized talks with Iran would spur the Qataris or the Saudis to be receptive to Bahrain's proposals. "His Majesty the King has told GCC General Secretary General Abdul Rahman Al-Attiyah that Bahrain wants gas from the GCC."

¶5. (C) The Ambassador reminded Mirza that any future agreement between Bahrain and Iran would be scrutinized under the terms of the Iran Sanctions Act (ISA). The U.S. strongly disapproved of any investment in Iran's energy sector. Mirza acknowledged awareness of the ISA and U.S. concerns. Nevertheless, "Bahrain needs gas. There are others that we would prefer to get it from." Mirza then recalled that sporadic outages due to power transmission problems over the past summer had led to popular protests. The situation would

have been more dire if there had been no power at all. "In five years, we won't have enough gas to supply the power we will need. The whole country could collapse. I don't think that would be in the interest of the U.S."

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COMMENT  
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¶6. (C) While Bahrain's gas MOU with Iran falls short of a firm agreement, it is a further step in that direction. Officials note that the MOU's language is general and that it is essentially an agreement to keep talking. This may be true. (Emboffs have not seen the agreement.) However, it is also true that GOB officials assess that Bahrain will face a major gas crunch between 2012 and 2014. They further assess that a pipeline with Iran would take 3-4 years to build. Counting backward from 2012, and assuming a best-case, three-year project completion time-line, pipeline construction will need to commence not later than 2Q 2009 in order to see completion before 3Q 2012, when annual power consumption will peak. But before construction can begin, financing needs to be secured and project tendering completed. This highlights Bahrain's need to finalize an agreement in 2008. Barring tangible developments with Qatar or Saudi Arabia in coming months, circumstances may well dictate that Bahrain's gas agreement will be with Iran. End Comment.

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